

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1975 – HB 2049**

March 12, 2022

**SUMMARY OF BILL:** Changes how the Tennessee Emergency Communications Board (TECB) calculates the base amount of funding each emergency communications district (ECD) receives annually. Removes a prohibition limiting the ability of the TECB to reduce the base amount of state funding allocated to ECDs only when the applicable local government decreases the amount of local funding provided to the ECD.

**FISCAL IMPACT:**

**Increase State Expenditures –**

**\$719,300/FY22-23 and Subsequent Years/  
Tennessee Emergency Communications Board**

**Increase Local Revenue – \$719,300/FY22-23 and Subsequent Years**

**Other Fiscal Impact – The proposed legislation requires the base amount of funding to be recalculated each year following the release of a federal census. Any future impact to state expenditures and local revenue cannot be reasonably determined.**

Assumptions:

- Pursuant to Tenn. Code Ann. § 7-86-303:
  - The TECB annually distributes a base amount of funding to each ECD which is equal to the average of total revenue the ECD received from distributions from the board and from direct remittance of 911 surcharges in FY09-10, FY10-11, and FY11-12, and not less than the amount the district received in FY11-12.
- According to the FY19-20 TECB annual report, \$81,885,599 was spent on base distribution among the ECDs in FY19-20, resulting in an average base amount of \$818,856 per ECD ( $\$81,885,599 / 100$  ECDs).
- The proposed legislation changes the applicable fiscal years for calculating the base amount to FY19-20, FY20-21, and FY21-22 and provides that the TECB shall not distribute an amount less than what the ECD received in FY21-22.
- Based on the applicable fiscal years, the base amount for each ECD is:
  - \$1,204,120, FY19-20
  - \$1,495,477, FY20-21
  - \$1,538,180, FY21-22
  - Average base amount:  $\$1,412,592 [(\$1,204,120 + \$1,495,477 + \$1,538,180) / 3]$ .

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- Per the legislation, the base amount may not be less than the amount received in FY21-22; therefore, the base amount would be \$1,538,180.
- The total recurring increase in state expenditure is estimated to be \$719,324 (\$1,538,180 - \$818,856) beginning FY22-23. There will be an equal, corresponding increase to local government revenue.
- Beginning in 2031, during each year following the release of the federal census results, the TECB must recalculate the base amount to each ECD based on the population change within the boundaries of each ECD during the preceding decade; the base amount must not be less than the amount received in 2022. Any future impact to state expenditures and local revenue cannot be reasonably determined.
- Pursuant to Tenn. Code Ann. § 7-86-128 and § 7-86-303:
  - Revenues derived from the assessment of the 911 surcharge are used to support the long-term solvency and operations of ECDs;
  - The TECB may withhold distribution of the surcharge to an ECD if: (1) the ECD is operating in, or fails to correct a specific violation of law, or (2) the ECD is not taking sufficient actions to establish, maintain, or advance E-911 service to the citizens of the ECD; and
  - The TECB may not reduce the base amount of funding for any ECD unless the local governing funding the ECD is reduced, in which case the TECB may reduce the base amount by the same amount as the local funding reduction.
- Based on information provided by the TECB:
  - The current statutory language has been utilized by the TECB to require local governments to establish a maintenance of effort for funding ECDs under threat of a decrease in state funding; and
  - Removal of the current statutory provision will remove the TECB's ability to reduce base funding to ECDs.
- The proposed language may result in instances where local governments reduce funding which is provided to ECDs, with such local governments utilizing such funding for other local government purposes.
- While the extent and timing of any decrease in local revenue received by ECDs and any equal, corresponding decrease in local expenditures experienced by the applicable local government cannot reasonably be determined, due to the fact that the overall amount of funds within local government statewide is not being altered, the net fiscal impact to local government is considered not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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